

**HR 87 (Rep. Kivela) Testimony**  
**Patrick Bloom – Cliffs Natural Resources**  
**Hearing of the House Commerce and Trade Committee**  
**September 22, 2015**

Good morning, Chairman Graves and members of the committee. My name is Patrick Bloom and I serve as Director of Government Relations for Cliffs Natural Resources. I appreciate this opportunity to provide testimony in support of HR 87, the resolution introduced by Representative Kivela calling on the President and Congress of the United States to take action to halt the illegal dumping of foreign steel into the U.S. market.

As way of background, Cliffs Natural Resources is the largest producer of iron ore pellets in North America. Cliffs has a long and proud history in the state of Michigan and has been continuously mining iron ore in the UP since the Company's founding in 1850. Today, Cliffs operates the Empire and Tilden mines in Marquette County, which collectively employ nearly 1,400 workers and have an annual contribution to the local economy of nearly \$830 million.

Cliffs' core business involves mining, processing and marketing iron ore pellets to integrated steel producers in the U.S. Cliffs' pellets are used to produce high-quality steel for a host of applications, including automobile and appliance manufacturing. Cliffs' business and the viability of the downstream steel industry are currently threatened by the historic levels of dumped and illegally subsidized foreign steel entering the country.

According to the American Iron and Steel Institute, in the first six months of 2015, steel imports accounted for approximately 31% percent of U.S. market share, up significantly over total import penetration figures of 28% in 2014 and 23% in 2013. This level of import penetration is among the highest ever recorded and far above more normal import market share which is below 20 percent.

This import surge has coincided with a period of very strong U.S. demand for steel. In fact, NAFTA-wide auto production is expected to reach 17.4 million units in 2015 and 17.7 million units in 2016, up from only 8.9 million units per-year at the height of the Great Recession in 2009. In addition, both residential and non-residential construction are expected to post double digit growth figures in 2015. Collectively, these markets constitute strong U.S. demand for steel, totaling an estimated 114.4 million tons in 2015. Unfortunately, the flood of dumped steel imports entering the U.S. illegally is effectively negating any upside potential of this strong domestic steel demand for U.S. producers.

One of the primary drivers of this import surge is the pronounced overcapacity in the global steel sector, which is estimated to be up to 420 million metric tons of steel production per year on 1.6 billion tons of total steel production. Approximately half of this overcapacity comes from China, where the availability of extremely cheap iron ore from Australia and Brazil provides an incentive for Chinese mills, many of which are state-owned, to continue pumping out steel. Because the U.S. has open borders and the most attractive consumer market in the world, much of that steel is coming here – either directly from China, or from countries that are themselves awash with cheap Chinese steel.

For Cliffs, this extremely high level of import penetration translates into diminished demand for our pellets. Earlier this year, Cliffs announced the difficult decision to idle our Empire Mine in the UP for several months this summer, in order to adjust production to reduced customer demand. This

decision resulted in the temporary layoff of approximately 350 workers beginning in late June. Fortunately, Cliffs expects to have nearly all our workers back on the job when the facility resumes production in mid-October.

However, the ill-effects of the import crisis are still being felt across our industry. In late July, Cliffs announced the temporary idling of our United Taconite operation in Northeast Minnesota, affecting approximately 420 workers. The restart of this facility, as well as the fates of several thousand steelworkers currently laid off across the country, will depend on the speed by which the federal government is able to stem the flow of dumped, subsidized steel entering the U.S.

It is important to note that the steel industry is taking steps to fight back against this import surge. Between June and August of this year, three steel trade cases were filed – a case on corrosion resistant steel, and separate cases on cold-rolled and hot-rolled steel. As these trade cases proceed at the Department of Commerce and International Trade Commission over the coming months, it is important that our federal lawmakers and administrative officials hear from local communities and state legislatures that have firsthand experience with the devastating economic impacts of steel dumping.

For that reason, we thank Representative Kivela for his leadership in introducing HR 87 and we respectfully urge members of the committee to proceed with swift passage of this resolution. Furthermore, we request your support for passage of HR 87 by the full Michigan House of Representatives as soon as practicable.

Once again, on behalf of Cliffs and its employees, I thank you for the opportunity to testify today.

I would be happy to answer any questions.